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State of Montana
Miles Community College
Miles City, Montana

General Purpose Financial Statements and
Supplementary Information

Fiscal years Ended June 30, 2001 and 2002

02C-06

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STATE OF MONTANA
MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

GENERAL PURPOSE FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FISCAL YEARS ENDED JUNE 30, 2001 AND 2002

CONDUCTED UNDER CONTRACT BY
C H M S, P.C.
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James Gillett, Financial-Compliance Audit

November 2002

The Legislative Audit Committee
of the Montana State Legislature:

Enclosed is the report on the audit of Miles Community College for the two fiscal years ended June 30, 2002.

The audit was conducted by CHMS, P.C., under a contract between the firm and our office. The comments and recommendations contained in this report represent the views of the firm and not necessarily the Legislative Auditor.

The agency's written response to the report recommendations is included in the back of the audit report

Respectfully submitted,

Scott A. Seacat
Legislative Auditor

02C-06

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MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
JUNE 30, 2001 AND 2002

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MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
JUNE 30, 2001 AND 2002

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MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

APPOINTIVE AND ADMINISTRATIVE OFFICIALS

Montana Board of Regents of Higher Education

Judy Martz	Governor
Dr. Richard Crofts	Commissioner of Higher Education
Linda McCulloch	Superintendent of Public Instruction
Margie Thompson	Chairman
Ed Jasmin	Regent
Richard Roehm	Regent
Mark J. Semmens	Regent
John Mercer	Regent
Lynn Morrison-Hamilton	Regent
Christian Hur	Student Regent

Miles Community College Board of Trustees

Jan Wagner	Chairman
Tom Albers	Trustee
Tom Clarke	Trustee
Bill Griffin	Trustee
Jim Lucas	Trustee
Scott Tally	Trustee
Sharon Wilcox	Trustee

Administration

Dr. Darrel Hammon	President
W. Wayne Muri	Business Manager

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA

GENERAL

We performed a financial/compliance audit of Miles Community College for the fiscal years ended June 30, 2001 and 2002. The objectives of our audit were to: (1) determine if the financial statements of the college present fairly its financial position and results of operations for the fiscal years then ended; (2) determine if the college complied with applicable state and federal laws and regulations; (3) make recommendations for the improvement of management and internal controls; and (4) determine whether prior audit recommendations have been effectively implemented.

Thank you to the Miles Community College staff for their cooperation and assistance during the audit.

BACKGROUND

Miles Community College at Miles City, Montana, was founded in 1939 under the authority of legislation enacted by the Montana Legislature Assembly earlier that same year. For almost twenty years the college, then titled Custer County Junior College, operated out of a few rooms in the local public high school. In 1957 the college moved into the former Milwaukee RR Depot Building. The new building is located on the present campus sight.

A resolution passed by the joint College-High School Board in January 1970, established an independent junior college district. On April 4, 1970, voters of the district elected the first independent Board of Trustees for the College. During academic year 1971-72 the college purchased a Vo-Tech building adjacent to the campus, and completed construction of a new Student Center.

In December 1971, Miles Community College was granted full accreditation by the Northwest Association of Schools and Colleges. The fifth year review by the Northwest Association continued the full accreditation of the College and reaffirmed the quality of the program, thereby insuring the easy transfer of credits to other colleges.

A grant of 1.5 million dollars from the Montana Coal Board in 1977 enabled the College to construct a new vocation building and library-classroom addition.

Construction of a physical recreation complex was completed in November 1980. This facility includes a large gymnasium, four racquetball/handball courts, and an exercise deck with weight machines.

The college has access to a 46-unit co-ed dormitory which was ready for occupancy in the Fall of 1981. Construction of an additional dormitory was completed in fiscal year 1998.

RECOMMENDATIONS

FINDING #02-1 – SEGREGATION OF DUTIES

Due to the small size of the entity, there is an absence of segregation of duties appropriate for a strong system of internal control. The College has implemented compensating controls to the extent practical, and we are not recommending further action at this time. However, we believe the Trustees should be aware that the condition results in a greater risk of errors occurring and not being detected within a timely manner than would be the case if duties were appropriately segregated.

Recommendation

No further action at this time.

FINDING #02-2 – NON-BUDGETED FUNDS EXPENDITURE LIMITATIONS

The College has a number of individual non-budgeted funds with deficit cash balances. According to Montana Code Annotated §20-9-210, the expenditures for a non-budgeted fund are limited to that fund's cash balance. The College requested a County Attorney's opinion regarding the definition of non-budgeted funds for community colleges. No firm definition of non-budgeted funds was provided to the College by the County Attorney.

Recommendation

The College should request an Attorney General's opinion on the definition of non-budgeted funds for community colleges. For those funds defined as non-budgeted funds, expenditures should be limited to the amount of cash available in that fund.

FINDING #02-3 – PURCHASE OF PROPERTY

The College purchased computers with a total contract cost exceeding $25,000. The College did not follow formal bid procedures for that purchase. Montana Code Annotated §20-15-104 requires that whenever the proposed contract costs are more than $25,000, the board of trustees shall solicit formal bids and advertise once each week for at least 2 weeks in a newspaper published in each county wherein the area of the district lies, calling for bids to perform such work or furnish such supplies.

Recommendation

The College should develop and follow formal bid procedures that conform to the requirements of Montana Code Annotated §20-15-104.

PRIOR YEARS' RECOMMENDATIONS

A summary of the recommendations from fiscal years June 30, 1999 and 2000 is as follows:

Finding	Status
Finding #00-1 – Segregation of Duties	N/A – See finding #02-1
Finding #00-2 – Non-Budgeted Funds Expenditures	Not Implemented – Finding #02-2
Finding #00-3 – Purchase of Property	Not Implemented – Finding #02-3
Finding #00-4 – Nursing Student Loan Delinquency - Delinquency rate exceeded allowable rate	Implemented

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Legislative Audit Committee
Of the Montana State Legislature

We have audited the accompanying general purpose financial statements of Miles Community College, Miles City, Montana, as of and for the years ended June 30, 2001 and 2002, as listed in the accompanying table of contents. These general purpose financial statements are the responsibility of the College's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of Miles Community College, Miles City, Montana, as of June 30, 2001 and 2002, and the results of its operations and cash flows for its auxiliary funds for the years then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued a report dated August 16, 2002, on our consideration of the College's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying supplementary information on pages 24-27 is presented for purposes of additional analysis. The accompanying schedules of expenditures of Federal Awards on pages 28-29 are presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. This information is not a required part of the general purpose financial statements of Miles Community College. Such information has been subjected to the audit procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.

CHMS, P.C.

CHMS, P.C.
Certified Public Accountants

August 16, 2002

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
BALANCE SHEET
JUNE 30, 2001

	CURRENT FUNDS					PLANT FUNDS	
	UNRESTRICTED		RESTRICTED				
	GENERAL OPERATING	AUXILIARY FUNDS	RESTRICTED	STUDENT LOAN FUNDS	AGENCY FUNDS	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
ASSETS							
Cash on Hand and in Bank (Note C)	$ 2,500	$ 4,140	$ -	$ 10,690	$ -	$ -	$ -
Cash on Deposit with County Treasurer (Note C)	216,834	(108,718)	85,511	1,460	24,506	30,666	-
Restricted Cash - Loan Reserve	-	-	-	-	-	11,158	-
Receivables:							
Taxes Receivable	38,386	-	-	-	-	-	-
Grant Receivable	-	-	43,105	-	-	-	-
Student Loan Receivable	-	-	-	72,357	-	-	-
Accounts Receivable	15,586	2,100	7,425	-	-	-	-
Total Receivables	53,972	2,100	50,530	72,357	-	-	-
Prepaid Expenses	11,067	-	-	-	-	-	-
Inventories	-	42,239	-	-	-	-	-
Property, Plant and Equipment (Note D):							
Land	-	-	-	-	-	-	206,412
Buildings and Improvements	-	-	-	-	-	-	4,770,773
Equipment	-	-	-	-	2,748	-	2,492,767
Total Property, Plant, and Equipment	-	-	-	-	2,748	-	7,469,952
TOTAL ASSETS	$ 284,373	$ (60,239)	$ 136,041	$ 84,507	$ 27,254	$ 41,824	$ 7,469,952
LIABILITIES AND NET ASSETS							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 57,960	$ 19,934	$ 32,435	$ -	$ -	$ -	$ -
Deferred Revenue	39,228	-	40,614	-	-	-	-
Due to Student Organizations	-	-	-	-	27,254	-	-
Compensated Absences (Note F)	155,882	-	33,106	-	-	-	-
Mortgage Payable (Note E)	-	-	-	-	-	-	987,548
Total Liabilities	253,070	19,934	106,155	-	27,254	-	987,548
Fund Balance (Note C):							
Unrestricted	31,303	(80,173)	-	-	-	30,666	6,482,404
Temporarily Restricted	-	-	29,886	84,507	-	11,158	-
Total Fund Balance	31,303	(80,173)	29,886	84,507	-	41,824	6,482,404
TOTAL LIABILITIES AND FUND BALANCE	$ 284,373	$ (60,239)	$ 136,041	$ 84,507	$ 27,254	$ 41,824	$ 7,469,952

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2001

	CURRENT FUNDS			PLANT FUNDS	
	UNRESTRICTED		RESTRICTED		
	GENERAL OPERATING	AUXILIARY FUNDS	RESTRICTED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUE AND OTHER ADDITIONS					
Tuition and Fees	$ 705,801	$ -	$ 2,100	$ -	$ -
State Appropriations	1,312,225	-	-	-	-
Institution Contributions	832,579	-	5,130	-	-
Federal Grants	-	-	1,454,439	-	-
State Grants	-	-	99,465	-	-
Private Gifts and Grants	12,500	-	132,378	-	-
Restricted Student Fees	-	-	-	42,128	-
Other Income	652,083	-	68,980	-	-
Sales and Services of Auxiliary Enterprises	-	609,918	-	-	-
Expended for Plant Facilities	-	-	-	-	176,536
Retirement of Indebtedness	-	-	-	-	75,820
Total Revenue and Other Additions	3,515,188	609,918	1,762,492	42,128	252,356
EXPENSES AND OTHER DEDUCTIONS					
Education and General Expenses					
Instruction	1,177,926	-	146,010	-	-
Public Service	25,277	-	-	-	-
Academic Support	293,555	-	644,365	-	-
Student Services	880,482	-	960,650	-	-
Institutional Support	396,149	-	-	-	-
Scholarships and Fellowships	193,023	-	-	-	-
Operation and Maintenance of Plant	312,579	-	-	-	-
Auxiliary Enterprise Expenses	-	546,116	-	-	-
Retirement of Indebtedness	-	23,579	-	52,241	-
Retirement of Plant Facilities	-	-	-	-	27,303
Interest on Indebtedness	-	48,933	-	2,777	-
Total Expenses and Other Deductions	3,278,991	618,628	1,751,025	55,018	27,303
Nonmandatory Transfers Between Funds	(25,000)	- 21,812	-	3,188	-
Net Increase (Decrease) in Fund Balance	211,197	13,102	11,467	(9,702)	225,053
Fund Balance, Beginning of Year	(179,894)	(93,275)	18,419	51,526	6,257,351
Fund Balances, End of Year	$ 31,303	$ (80,173)	$ 29,886	$ 41,824	$ 6,482,404

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 2001

	Current Funds		
	Unrestricted	Restricted	Total
REVENUE AND OTHER ADDITIONS			
Tuition and Fees	$ 705,801	$ 2,100	$ 707,901
State Appropriations	1,312,225	-	1,312,225
Institution Contributions	832,579	5,130	837,709
Federal Grants	-	1,454,439	1,454,439
State Grants	-	99,465	99,465
Private Gifts and Grants	12,500	120,911	133,411
Other Income	652,083	68,980	721,063
Sales and Services of Auxiliary Enterprises	609,918	-	609,918
Total Revenue and Other Additions	4,125,106	1,751,025	5,876,131
EXPENSES AND OTHER DEDUCTIONS			
Education and General Expenses			
Instruction	1,177,926	146,010	1,323,936
Public Service	25,277	-	25,277
Academic Support	293,555	644,365	937,920
Student Services	880,482	960,650	1,841,132
Institutional Support	396,149	-	396,149
Scholarships and Fellowships	193,023	-	193,023
Operation and Maintenance of Plant	312,579	-	312,579
Auxiliary Enterprise Expenses	546,116	-	546,116
Retirement of Indebtedness	23,579	-	23,579
Interest on Indebtedness	48,933	-	48,933
Total Expenses and Other Deductions	3,897,619	1,751,025	5,648,644
Other Transfers and Additions/(Deductions)			
Excess of Restricted Receipts over Transfers to Revenue	-	11,467	11,467
Transfer to Dorm Building Fund	(3,188)	-	(3,188)
Total Transfers and Additions/(Deductions)	(3,188)	11,467	8,279
Net Increase in Fund Balance	$ 224,299	$ 11,467	$ 235,766

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CASH FLOWS OF AUXILIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2001

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Fund Balance	$	13,102
Changes in assets and liabilities:		
(Increase) Decrease in Accounts Receivable		(521)
Increase (Decrease) in Accounts Payable		8,550
NET CASH PROVIDED BY OPERATING ACTIVITIES		21,131
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		-
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES		-
NET CASH PROVIDED BY INVESTING ACTIVITIES		-
Net Decrease in Cash and Cash Equivalents		21,131
Cash and Cash Equivalents, Beginning of Year		(125,709)
Cash and Cash Equivalents, End of Year	$	(104,578)
Reconciliation to the Balance Sheet		
Auxiliary Funds:		
Cash on Hand and in Bank		4,140
Cash on Deposit with County Treasurer		(108,718)
Total	$	(104,578)
SUPPLEMENTARY INFORMATION:		
Interest Paid	$	48,933

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
BALANCE SHEET
JUNE 30, 2002

	CURRENT FUNDS					PLANT FUNDS	
	UNRESTRICTED		RESTRICTED	STUDENT		RETIREMENT	INVESTMENT
	GENERAL OPERATING	AUXILIARY FUNDS	RESTRICTED	LOAN FUNDS	AGENCY FUNDS	OF INDEBTEDNESS	IN PLANT
ASSETS							
Cash on Hand and in Bank (Note C)	$ 3,600	$ 5,140	$ -	$ 15,250	$ -	$ -	$ -
Cash on Deposit with County Treasurer (Note A)	321,296	(101,841)	155,959	1,747	22,151	33,168	-
Restricted Cash - Loan Reserve	-	-	-	-	-	14,346	-
Receivables:							
Taxes Receivable	38,119	-	-	-	-	-	-
Grant Receivable	-	-	51,205	-	-	-	-
Student Loan Receivable	-	-	-	68,582	-	-	-
Accounts Receivable	19,353	5,113	4,099	-	-	-	-
Total Receivables	57,472	5,113	55,304	68,582	-	-	-
Prepaid Expenses	11,067	-	-	-	-	-	-
Inventories	-	46,101	-	-	-	-	-
Property, Plant and Equipment (Note D):							
Land	-	-	-	-	-	-	206,412
Buildings and Improvements	-	-	-	-	-	-	4,770,773
Equipment	-	-	-	-	2,098	-	2,628,130
Total Property, Plant, and Equipment	-	-	-	-	2,098	-	7,605,315
TOTAL ASSETS	$ 393,435	$ (45,487)	$ 211,263	$ 85,579	$ 24,249	$ 47,514	$ 7,605,315
LIABILITIES AND NET ASSETS							
Liabilities:							
Accounts Payable and Accrued Liabilities	$ 82,301	$ 19,887	$ 120,684	$ -	$ -	$ -	$ -
Deferred Revenue	34,341	-	-	-	-	-	-
Due to Student Organizations	-	-	-	-	24,249	-	-
Compensated Absences (Note F)	163,242	-	34,553	-	-	-	-
Mortgage Payable (Note E)	-	-	-	-	-	-	920,008
Total Liabilities	279,884	19,887	155,237	-	24,249	-	920,008
Fund Balance (Note C):							
Unrestricted	113,551	(65,374)	-	-	-	33,168	6,685,307
Temporarily Restricted	-	-	56,026	85,579	-	14,346	-
Total Fund Balance	113,551	(65,374)	56,026	85,579	-	47,514	6,685,307
TOTAL LIABILITIES AND FUND BALANCE	$ 393,435	$ (45,487)	$ 211,263	$ 85,579	$ 24,249	$ 47,514	$ 7,605,315

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2002

	CURRENT FUNDS			PLANT FUNDS	
	UNRESTRICTED		RESTRICTED		
	GENERAL OPERATING	AUXILIARY FUNDS	RESTRICTED	RETIREMENT OF INDEBTEDNESS	INVESTMENT IN PLANT
REVENUE AND OTHER ADDITIONS					
Tuition and Fees	$ 863,272	$ -	$ 4,133	$ -	$ -
State Appropriations	1,438,797	-	-	-	-
Institution Contributions	916,929	-	5,586	-	-
Federal Grants	-	-	1,613,581	-	-
State Grants	-	-	119,378	-	-
Private Gifts and Grants	73,552	-	116,392	-	-
Restricted Student Fees	-	-	-	47,300	-
In Kind Contributions	-	-	-	-	-
Other Income	427,384	-	91,630	-	-
Sales and Services of Auxiliary Enterprises	-	632,126	-	-	-
Expended for Plant Facilities	-	-	-	-	185,639
Retirement of Indebtedness	-	-	-	-	67,540
Total Revenue and Other Additions	3,719,934	632,126	1,950,700	47,300	253,179
EXPENSES AND OTHER DEDUCTIONS					
Education and General Expenses					
Instruction	1,230,025	-	155,428	-	-
Public Service	31,290	-	-	-	-
Academic Support	282,922	-	771,758	-	-
Student Services	1,035,199	-	997,374	-	-
Institutional Support	382,134	-	-	-	-
Scholarships and Fellowships	263,388	-	-	-	-
Operation and Maintenance of Plant	378,728	-	-	-	-
Auxiliary Enterprise Expenses	-	575,627	-	-	-
Retirement of Indebtedness	-	25,319	-	42,221	-
Retirement of Plant Facilities	-	-	-	-	50,276
Interest on Indebtedness	-	47,193	-	2,577	-
Total Expenses and Other Deductions	3,603,686	648,139	1,924,560	44,798	50,276
Nonmandatory Transfers Between Funds	(34,000)	30,812	-	3,188	-
Net Increase in Fund Balance	82,248	14,799	26,140	5,690	202,903
Fund Balance, Beginning of Year	31,303	(80,173)	29,886	41,824	6,482,404
Fund Balances, End of Year	$ 113,551	$ (65,374)	$ 56,026	$ 47,514	$ 6,685,307

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CURRENT FUNDS REVENUES, EXPENDITURES AND OTHER CHANGES
FOR THE YEAR ENDED JUNE 30, 2002

	Current Funds		
	Unrestricted	Restricted	Total
REVENUE AND OTHER ADDITIONS			
Tuition and Fees	$ 863,272	$ 4,133	$ 867,405
State Appropriations	1,438,797	-	1,438,797
Institution Contributions	916,929	5,586	922,515
Federal Grants	-	1,613,581	1,613,581
State Grants	-	119,378	119,378
Private Gifts and Grants	73,552	116,392	189,944
Other Income	427,384	65,490	492,874
Sales and Services of Auxiliary Enterprises	632,126	-	632,126
Total Revenue and Other Additions	4,352,060	1,924,560	6,276,620
EXPENSES AND OTHER DEDUCTIONS			
Education and General Expenses			
Instruction	1,230,025	155,428	1,385,453
Public Service	31,290	-	31,290
Academic Support	282,922	771,758	1,054,680
Student Services	1,035,199	997,374	2,032,573
Institutional Support	382,134	-	382,134
Scholarships and Fellowships	263,388	-	263,388
Operation and Maintenance of Plant	378,728	-	378,728
Auxiliary Enterprise Expenses	575,627	-	575,627
Retirement of Indebtedness	25,319	-	25,319
Interest on Indebtedness	47,193	-	47,193
Total Expenses and Other Deductions	4,251,825	1,924,560	6,176,385
Other Transfers and Additions/(Deductions)			
Excess of Restricted Receipts over Transfers to Revenue	-	26,140	26,140
Transfer to Dorm Building Fund	(3,188)	-	(3,188)
Total Transfers and Additions/(Deductions)	(3,188)	26,140	22,952
Net Increase in Fund Balance	$ 97,047	$ 26,140	$ 123,187

See notes to the financial statements.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
STATEMENT OF CASH FLOWS OF AUXILIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2002

CASH FLOWS FROM OPERATING ACTIVITIES		
Increase in Fund Balance	$	14,799
Changes in assets and liabilities:		
(Increase) Decrease in Accounts Receivable		(3,013)
(Increase) Decrease in Inventory		(3,862)
Increase (Decrease) in Accounts Payable		(47)
NET CASH PROVIDED BY OPERATING ACTIVITIES		7,877
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES		-
NET CASH PROVIDED BY CAPITAL FINANCING ACTIVITIES		-
NET CASH PROVIDED BY INVESTING ACTIVITIES		-
Net Decrease in Cash and Cash Equivalents		7,877
Cash and Cash Equivalents, Beginning of Year		(104,578)
Cash and Cash Equivalents, End of Year	$	(96,701)
Reconciliation to the Balance Sheet		
Auxiliary Funds:		
Cash on Hand and in Bank		5,140
Cash on Deposit with County Treasurer		(101,841)
Total	$	(96,701)
SUPPLEMENTARY INFORMATION:		
Interest Paid	$	47,193

See notes to the financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of Miles Community College, a Community College District (the College), is presented to assist in understanding the College's financial statements. The financial statements and notes are representations of the College's management, which is responsible for their integrity and objectivity.

Reporting Entity

Miles Community College is a community college district which has received full accreditation by the Northwest Association of Schools and Colleges. The College is managed by a Board of Trustees, each member of which is elected in district-wide elections. The college administration is appointed by and responsible to the Board of Trustees.

The County government of Custer County provides substantial services to the College. Taxes are levied and collected by the County. Cash is maintained and invested by the County Treasurer. The County does not significantly influence the operations of the College; thus, the College is treated as a separate and independent unit of local government.

The College, for financial purposes, includes all funds, account groups, organizations and boards for which the College is financially accountable, and other organizations for which the nature and significance of the relationship are such that the exclusion would cause the College's financial statements to be misleading or incomplete. Financial accountability is defined as the appointment of a majority of the governing body, and by the imposition of will or the potential for financial benefit or burden.

Financial Statements

The accompanying financial statements have been prepared following the standards of accounting and reporting as described by National College and University Business Officers (NACUBO). In accordance with GASB No. 15, "Governmental College and University Accounting and Reporting Models", the University has adopted the American Institute of Certified Public Accountants' (AICPA) "College Guide Model" for presentation of its financial statements.

The statement of current fund revenues, expenditures, and other changes is a statement of financial activities of current funds related to the current reporting period and does not purport to present the results of operations or the net income or loss for the period.

Fund Accounting

The accounts of the College are maintained in accordance with the principles of fund accounting wherein resources are classified for accounting purposes into funds that are identified by the limitations and restrictions upon their use. Separate accounts are maintained for each fund; however, accounts with common characteristics are combined into fund groups and reflected as such in the accompanying financial statements. The common characteristics of the funds contained in the various fund groups are as follows:

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Funds

Current funds are used primarily to account for transactions made in performing the primary and support objectives of the College: instruction, research, public service, academic support, student services, institutional support, operation and maintenance of plant, scholarships and fellowships, and auxiliary activities. Funds included in this classification consist of:

General operating funds - These funds are used to account for transactions relating to the educational and general operations of the College.

Auxiliary enterprises funds - These funds are used to account for transactions of substantially self-supporting activities that primarily provide services for students, faculty, and staff. The funds included in this classification are the Bookstore, the Cafeteria, the Big Sky Dorm, and the Centra. Activities accounted for in the Centra fund include operation of the gymnasium and the operation of an athletic weight room.

Restricted funds - These funds aare used to account for current funds exxpended for operating purposes but are restricted by donors or other outside agencies as to how they may be spent. Revenues of the restricted funds are reported in the statement of current funds revenues, expenditures, and other changes only to the extent expended for current operating purposes. The difference between receipts and expenditures is included as an addition to or deduction from fund balance for the year.

Student Loan Funds

These funds are available for loans to stcudents to help finance their education and are provided by federal, private, and College sources. The federal government provides the majority of the funds.

Plant Funds

These funds used to account for the transactions relating to investment in property. Plant funds include:

Retirement of Indebtedness - accumulates resources for interest and principal payments and other debt service charges relating to plant fund indebtedness.

Investment in Plant fund - represents the total of property, buildings, equipment and related liabilities.

Agency Funds

These funds are used to account for assets held by the College as custodian or fiscal agent for others. The transactions of these funds do not affect the statement of changes in fund balance.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

The modified accrual basis of accounting is used by all governmental fund types and agency funds. Under the modified accrual basis, revenues are recognized when susceptible to accrual (i.e. when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of current period. Expenditures are recorded when the related fund liability is incurred.

To the extent that current funds are used to finance plant assets, the amounts so provided are accounted for as (1) expenditures, in the case of normal additions, (2) mandatory transfers, in the case of required provisions for debt amortization and interest, and property renewal and replacement, and (3) other transfers, for all other cases.

The accrual basis of accounting is utilized by the auxiliary fund types. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, in essentially the same manner as in business-type accounting and financial reporting. Auxiliary accounting and reporting for the College includes the use of Financial Accounting Standards Board (FASB) Statements and Interpretations, unless those pronouncements conflict with or contradict Governmental Accounting Standards Board (GASB) pronouncements.

The College reports deferred revenue on its combined balance sheet. Deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the government before it has legal claim to them, such as when grant moneys are received prior to incurring qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the government has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

Cash and Cash Equivalents

The College considers all investments to be highly liquid, and, therefore, cash equivalents.

Investments

Investments are carried at cost, which approximates market value. Investments in the State Short-term Investment Pool (STIP) may include certain types of derivatives. A derivative is any "contract whose value depends on, or derives from, the value of an underlying asset, reference rate or index." The STIP portfolio includes asset-backed securities and variable-rate (floating rate) instruments. (See Note C on Investment Risk Categories.)

Taxes Receivable

The College records taxes receivable for property taxes that have been assessed but have not yet been collected. These taxes receivable are recorded as deferred revenue in the year assessed, and recorded as revenue in the year collected.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Inventories

Inventories consist mainly of bookstore supplies and are valued at cost on the first-in, first-out method.

Use of Estimates

The preparation of these general purpose financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual amounts could differ from these estimates.

Plant and Equipment:

Public domain general fixed assets ("infrastructure") consisting of roads, parking lots, curbs, and gutters, sidewalks, drainage systems, and lighting systems are not capitalized, as these assets are immovable and of value only to the government.

All purchased fixed assets are valued at cost where historical records are available and at estimated historical costs where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Assets in the plant fund are not depreciated. Depreciation of equipment in the agency fund types is computed using the straight-line method. Estimated useful lives range from 5 to 20 years for equipment.

Donated Services

The value of donated services are not recognized, since the types of services rendered do not create or enhance the College's non-financial assets, nor do they require specialized skills.

NOTE B - LOCAL APPROPRIATIONS

All property taxes are collected by the Treasurer of Custer County, Montana. Property tax revenue is recognized when it is billed. Property taxes attach as an enforceable lien on property as of January 1st and are levied on the 2nd Monday in August. They are due in two equal installments on November 30th, and May 31st, following the levy date.

The tax levies for the College for the years ended June 30, 2001 and 2002 were as follows:

	Number of Mills	
	Year ended 6/30/2001	Year ended 6/30/2002
Mandatory County Levy	52.10	53.51
Adult Education Levy	1.00	1.20
Total	53.10	54.71

The value of one mill was $14,165 for 2002 and $14,383 for 2001.

NOTE C - CASH AND INVESTMENTS

Cash and Investments, except those identified below, are held by the Custer County Treasurer. The Board of Trustees may invest money of the College in savings deposits, time deposits or repurchase agreements with financial institutions that are located in Montana and are insured by the FDIC, FSLIC, or NCUA. The Board of Trustees may also invest the College's money in obligations of the United States Government, or in the State Short-Term Investment Pool (S.T.I.P.).

Cash and Investments held by the Treasurer of Custer County at June 30, 2001:

	Carrying Value	Fair Value	Unrealized Gain(Loss)
Invested in the County Investment Pool	$ 261,417	$ 261,346	$ (71)

Cash and Investments held by the Treasurer of Custer County at June 30, 2002:

	Carrying Value	Fair Value	Unrealized Gain(Loss)
Invested in the County Investment Pool	$ 446,826	$ 448,052	$ 1,226

The Custer County Commissioners require 50% security on money held by the Custer County Treasurer. The governmental entities' money is insured by the Federal Deposit Insurance Corporation (FDIC) for each "public unit" based on how the account is titled at the financial institution. The College's money invested in the county investment pool is titled in the Custer County Treasurer's name, and therefore is not separately insured by FDIC insurance. The county government is considered to have $100,000 FDIC insurance for demand deposits and $100,000 FDIC insurance for time and savings deposits in each bank within the state.

The county investment pool has money invested in the State Short-Term Investment Pool (S.T.I.P.) which includes asset-backed and variable-rate securities. Asset-backed securities have less credit risk than securities not backed by pledged assets. Market risk for asset-backed securities is the same as for similar non asset-backed securities. Variable-rate securities have credit risk identical to similar fixed-rate securities; the related market risk is more sensitive to changes in interest rates. However, their market risk may be less volatile than fixed-rate securities because their value will usually remain at or near par value as a result of their interest rates being periodically reset to maintain a current market yield. The Montana Board of Investments reported that they were not aware of any legal risks associated with any of the S.T.I.P. investments, as of June 30, 2002.

Cash and Investments not held by the county treasurer have been recorded at cost and are as follows at June 30, 2001:

	Book Balance	Fair Value and Bank Balance
Cash on Hand	$ 6,640	$ 6,640
Student Loan Fund Deposits	10,690	10,690
Total	$ 17,330	$ 17,330

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Deposits can be broken down into the following risk categories in accordance with GASB No. 3 as of June 30, 2001:

Category 1 - Insured (FDIC)	$	10,690

Investments can be broken down into the following risk categories in accordance with GASB No. 3 as of June 30, 2001:

Uncategorized investments - amount invested in an external investment pool (Custer County Investment Pool).	$	261,345

Cash and Investments not held by the county treasurer have been recorded at cost and are as follows at June 30, 2002:

		Book Balance		Fair Value and Bank Balance
Cash on Hand	$	8,740	$	8,740
Student Loan Fund Deposits		15,250		15,250
Total	$	23,990	$	23,990

Deposits can be broken down into the following risk categories in accordance with GASB No. 3 as of June 30, 2002:

Category 1 - Insured (FDIC)	$	15,250

Investments can be broken down into the following risk categories in accordance with GASB No. 3 as of June 30, 2002:

Uncategorized investments - amount invested in an external investment pool (Custer County Investment Pool).	$	448,052

Restricted cash in the plant funds is for the required loan reserve for the Rural Development loan. This restricted cash is held by the Custer County Treasurer, and is not required by the loan document to be in a separate account. Restricted cash as of June 30, 2001 and June 30, 2002, totaled $11,158 and $14,346, respectively.

NOTE D - PROPERTY, PLANT, AND EQUIPMENT

A summary of the changes in Property, Plant, and Equipment as of June 30, 2001 is as follows:

		Balance 6/30/2000		Current Additions		Current Deletions		Balance 6/30/2001
Land	$	206,412	$	-	$	-	$	206,412
Buildings		4,770,773		-		-		4,770,773
Equipment		1,959,143		158,146		27,303		2,089,986
Library Inventory		384,391		18,390		-		402,781
	$	7,320,719	$	176,536	$	27,303	$	7,469,952

NOTE D - PROPERTY, PLANT, AND EQUIPMENT (CONTINUED)

A summary of the changes in Property, Plant, and Equipment as of June 30, 2002 is as follows:

	Balance 6/30/2001	Current Additions	Current Deletions	Balance 6/30/2002
Land	$ 206,412	$ -	$ -	$ 206,412
Buildings	4,770,773	-	-	4,770,773
Equipment	2,089,986	172,472	50,276	2,212,182
Library inventory	402,781	13,167	-	415,948
	$ 7,469,952	$ 185,639	$ 50,276	$ 7,605,315

The agency funds held $3,398 of equipment as of June 30, 2001 and 2002. Depreciation expense for the year ended June 30, 2001 was $650, and for the year ended June 30, 2002 was $1,300. The accumulated depreciation on the equipment as of June 30, 2001 and 2002, was $650 and $1,300, respectively.

NOTE E - MORTGAGES PAYABLE

Mortgages payable consists of several different mortgages payable, as described below. Changes in mortgages payable during 2001 were as follows:

	Balance 6/30/00	Debt Issued	Principal Payment	Balance 6/30/2001
Miles Community College Endowment	$ 225,955	$ -	$ 45,640	$ 180,315
Stockman Bank	374,765	-	10,016	364,749
USDA Rural Development	368,448	-	13,564	354,884
Department of Housing and Urban Development	94,200	-	6,600	87,600
	$ 1,063,368	$ -	$ 75,820	$ 987,548

Changes in mortgages payable during 2002 were as follows:

	Balance 6/30/01	Debt Issued	Principal Payment	Balance 6/30/02
Miles Community College Endowment	$ 180,315	$ -	$ 35,421	$ 144,894
Stockman Bank	364,749	-	10,751	353,998
USDA Rural Development	354,884	-	14,568	340,316
Department of Housing and Urban Development	87,600	-	6,800	80,800
	$ 987,548	$ -	$ 67,540	$ 920,008

The mortgage payable to the Department of Housing and Urban Development was in the original amount of $205,541 and will be paid off on July 1, 2012. This mortgage is payable in semiannual installments on January 1st and July 1st of each year. Interest is payable at 3% per annum. There is no security for this loan.

NOTE E - MORTGAGES PAYABLE (CONTINUED)

The mortgage payable to Miles Community College Endowment was in the original amount of $458,299. There is no interest payable on this note. This note is being repaid from 1/3 of the student building fees collected, until such time as the deficit in the Building Repayment Fund has been eliminated. Once the deficit has been eliminated, the entire amount of the student building fees will be paid to Miles Community College Endowment. There is no security for this loan.

The mortgage payable to Stockman Bank of Montana was in the original amount of $400,000. This mortgage is payable in monthly installments of $3,387 on the 23rd day of each month. This mortgage bears interest at a variable rate, not less than 7.16% per annum nor more than 11.16% per annum. The interest rate as of June 30, 2002 was 8.16% per annum. This mortgage is secured by two tracts of land, and an assignment of rental revenue from all of the student dormitories owned by the College. Final payment on this mortgage is due on September 23, 2017.

The mortgage payable to the USDA Rural Development was in the original amount of $400,000. This mortgage is payable in semi-annual installments of $15,936 due on March 23rd and September 23rd of each year. This mortgage bears interest at 5.0% per annum. This mortgage is secured by two tracts of land, and an assignment of rental revenue from all of the student dormitories owned by the College. Final payment on this note is due on September 23, 2017.

Mortgages payable maturities are as follows:

Year		Principal
2003	$	64,207
2004		66,363
2005		68,556
2006		70,776
2007		73,178
thereafter		576,928
Total	$	920,008

NOTE F - COMPENSATED ABSENCES PAYABLE

Compensated absences payable, which represent vacation and sick leave earned by employees which is payable upon termination, were as follows:

June 30, 2001:

		Balance 6/30/2000		Increase (Decrease)		Balance 6/30/2001
Vacation and Sick Leave	$	138,593	$	17,289	$	155,882
Restricted Vacation and Sick Leave		27,401		5,705		33,106
Total	$	165,994	$	22,994	$	188,988

June 30, 2002:

		Balance 6/30/2001		Increase (Decrease)		Balance 6/30/2002
Vacation and Sick Leave	$	155,882	$	7,360	$	163,242
Restricted Vacation and Sick Leave		33,106		1,447		34,553
Total	$	188,988	$	8,807	$	197,795

NOTE G - RETIREMENT PLANS

The College participates in two state-wide, multiple employer, cost-sharing retirement plans which cover all employees, except some substitute and part-time, non-teaching employees. The Teachers' Retirement System (TRS) covers certified teaching employees, and the Public Employee Retirement System (PERS) covers non-teaching employees. The plans are established by State law and are administered by the Department of Administration of the State of Montana. The plans provide retirement, disability, and death benefits to plan members and beneficiaries.

Both plans issue publicly available annual reports that include financial statements and required supplemental information for the plans. The reports for the Teachers' Retirement System can be obtained at P.O. Box 200139, 1500 Sixth Ave., Helena, MT 59620-0139. The reports for the Public Employees Retirement System can be obtained at P.O. Box 200131, 1712 Ninth Ave., Helena, MT 59620-0131. The financial statements for the Public Employees Retirement System include activity for a defined benefit and a defined contribution retirement plan. The defined contribution plan is available to all active members starting July 1, 2002. The assets of one retirement plan cannot be commingled with those of another plan.

Contribution rates, expressed as a percentage of covered payroll, which are determined by State law, were as follows:

June 30, 2002 and June 30, 2001:

	Employer	Employee	Total
TRS	7.47%	7.15%	14.62%
PERS	6.80%	6.90%	13.70%

The amounts contributed by both the employees and the College for the prior three years ended June 30, were as follows:

	2002	2001	2000
TRS	$ 188,706	$ 177,387	$ 221,551
PERS	120,001	112,323	103,475
Total	$ 308,707	$ 289,710	$ 325,026

The State of Montana contributes .10% of the employees' wages covered by PERS, and .11% of the employees' wages covered by TRS, which are considered on-behalf payments. The College did not record this contribution in its financial statements, as required by generally accepted accounting principles.

NOTE H - RISK MANAGEMENT

The College faces a considerable number of risks of loss, including a) damage to and loss of property and contents, b) employee torts, c) professional liability i.e. errors and omissions, d) environmental damage, and e) workers' compensation, i.e. employee injuries. A variety of methods is used to provide insurance for these risks. Commercial policies, transferring all risks of loss, except for relatively small deductible amounts, are purchased for property and content damage, employee torts, and professional liabilities. Coverage limits and the deductibles on the commercial policies have stayed relatively constant for the last several years, except for property and content coverage where the guaranteed values have been increased to approximate replacement cost of the assets. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE I - CONTINGENT LIABILITY

The Montana Supreme Court ruled in Rippey that community college faculty are state employees for purposes of entitlement to payment for accumulated sick leave. Pursuant to this decision, Miles Community College made a payoff of sick leave accumulated since 1971 to President Flower in 1995. Other administrative employees at the College may also be eligible for this sick leave payoff in excess of their sick leave accrual. This payment is estimated by College management to be $34,967. This amount has not been accrued on the balance sheet.

Based on the Rippey decision of the Montana Supreme Court, the community colleges may be drawn into a lawsuit by the community college teachers seeking accumulated vacation and sick leave pursuant to Montana law for state employees. The amount of this potential liability is not reasonably estimable at this time.

NOTE J - RELATED PARTY TRANSACTIONS

The Board of Trustees of Miles Community College signed a note payable to Miles Community College Endowment Corporation, as described in Note E. Miles Community College Endowment Corporation is a separate corporation formed to promote Miles Community College.

NOTE K - SEGMENT INFORMATION

The College maintains four auxiliary funds which are intended to be self-supporting. Financial segment information is presented below.

As of and for the year ended June 30, 2001:

	Big Sky Dorm	Bookstore	Cafeteria	Centra
Operating Revenues (Net)	$ 124,943	$ 181,091	$ 149,867	$ 154,017
Operating Expenses	119,761	186,017	146,711	166,139
Net Income (Loss)	5,182	(4,926)	3,156	(12,122)
Operating Transfers In (Out)	(3,188)	-	-	25,000
Net Working Capital	(6,526)	44,222	(8,273)	(109,596)
Total Assets	10,658	45,130	(8,176)	(107,851)
Total Liabilities	17,184	908	97	1,745
Total Equity	(6,526)	44,222	(8,273)	(109,596)

As of and for the year ended June 30, 2002:

	Big Sky Dorm	Bookstore	Cafeteria	Centra
Operating Revenues (Net)	$ 145,532	$ 201,322	$ 164,704	$ 120,568
Operating Expenses	124,748	183,055	180,481	159,855
Net Income (Loss)	20,785	18,267	(15,777)	(39,287)
Operating Transfers In (Out)	(3,188)	-	-	34,000
Net Working Capital	11,072	62,489	(24,051)	(114,884)
Total Assets	26,722	63,090	(22,047)	(113,252)
Total Liabilities	15,650	601	2,004	1,632
Total Equity	11,072	62,489	(24,051)	(114,884)

NOTE L - LEASES

The College has entered into an operating lease with GMAC for the President's vehicle. Payments on the lease total $455 per month, for 36 months. The buyout option at the end of the lease is $11,191. The total lease paid during the year ended June 30, 2002 was $4,800.

Future minimum lease payments are as follows:

Year		Lease Amount
2003	$	5,456
2004		5,456
2005		909
Total	$	11,821

NOTE M - DEFICIT FUND BALANCES

Three auxiliary funds have deficit fund balances as of June 30, 2001, and two auxiliary funds have deficit fund balances as of June 30, 2002. The deficit fund balances are as follows for the years ended June 30:

		2001		2002
Big Sky Dorm	$	6,526	$	-
Centra		109,596		114,884
Cafeteria		8,273		24,051

SUPPLEMENTARY INFORMATION

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2001

STUDENT FINANCIAL AID MODIFIED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

	PELL	PERKINS	CWS	SEOG
Beginning Cash Balance	$ -	$ 4,435	$ -	$ -
Additions:				
Federal Advances	611,401	-	28,113	27,675
State Matching Funds	-	-		9,225
Transfer from College Work Study	-	-	-	-
Interest Collected	-	692	-	-
Other Income	-	52	-	-
Principal Collected	-	6,017	-	-
Total Additions	611,401	6,761	28,113	36,900
Deductions:				
Distribution to Students	612,291	3,000	28,926	36,704
Transfer to SEOG	-	-	-	-
Administrative Expenses	-	-	3,443	-
Total Deductions	612,291	3,000	32,369	36,704
Net Change in Cash	(890)	3,761	(4,256)	196
Ending Cash Balance	$ (890)	$ 8,196	$ (4,256)	$ 196

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2002

STUDENT FINANCIAL AID MODIFIED STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS

	PELL	PERKINS	CWS	SEOG
Beginning Cash Balance	$ (890)	$ 8,196	$ (4,256)	$ 196
Additions:				
Federal Advances	628,943	-	34,097	28,262
Transfer from College Work Study	-	-	-	6,622
State Matching Funds	-	-	-	9,421
Institution Matching Funds	-	-	87	-
Interest Collected	-	757	-	-
Interest Investments	-	309	-	-
Principal Collected	-	3,777	-	-
Total Additions	628,943	4,843	34,184	44,305
Deductions:				
Distribution to Students	627,856	-	26,673	43,901
Transfer to SEOG	-	-	6,622	-
Administrative Expenses	-	-	3,618	-
Total Deductions	627,856	-	36,913	43,901
Net Change in Cash	1,087	4,843	(2,729)	404
Ending Cash Balance	$ 197	$ 13,039	$ (6,985)	$ 600

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2001 AND 2002

SCHEDULE OF EXPENDITURES
STUDENT FINANCIAL ASSISTANCE PROGRAMS

	2001	2002
Perkins Loan Program		
Student Loan Advances	$ 3,000	$ -
College Work Study		
Wages	$ 46,072	$ 46,686
Administrative Cost	3,443	3,618
	$ 49,515	$ 50,304
Supplemental Education Opportunity Grant Program		
Student Grants	$ 36,900	$ 44,305
Pell Grant Program		
Student Grants	$ 613,116	$ 627,781

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SUPPLEMENTARY INFORMATION
YEARS ENDED JUNE 30, 2001 AND 2002

SCHEDULE OF ENROLLMENT STATISTICS

	Third Week Report			
Semester	Resident	WUE	Nonresident	Total
Summer 2000	38.70	-	0.03	38.73
Fall 2000	488.50	-	12.13	500.63
Spring 2001	461.50	-	11.73	473.23
Summer 2001	62.40	-	1.40	63.80
Fall 2001 **	478.47	-	15.13	493.60
Spring 2002 **	448.80	-	12.40	461.20

** Totals for Fall 2001 and Spring 2002 include late starting classes allowed for full-time equivalent calculations.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2001

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Award	Beginning Balance 07/01/01	Federal Sources	State Match	Other	Expended	Ending Balance 06/30/02
MAJOR PROGRAMS:									
U.S. Department of Education									
Direct Programs:									
Supplemental Educational Opportunity Grant Program	84.007	N/A	$ 31,018	$ 0	$ 27,675	$ 9,225	$ 0	$ 36,900	$ 0
College Work Study	84.033	N/A	35,514	0	32,412	11,972	5,131	49,515	0
Federal Family Education Loans *	84.032	N/A	563,329	0	563,329	0	0	563,329	0
Pell Grant Program	84.063	N/A	613,116	0	613,116	0	0	613,116	0
Total Major Programs			1,242,977	0	1,236,532	21,197	5,131	1,262,860	0
U.S. Department of Labor									
Pass-Through the Montana Job Training Partnership, Inc.:									
WIA Adult Program	17.258	01003(A)	146,048	0	144,666	0	0	144,666	0
NON-MAJOR PROGRAMS:									
U.S. Department of Education									
Passed-Through Office of the Commissioner of Higher Education:									
Family Literacy	84.314B	GC052-01-Z1604	17,000	0	16,169	0	0	16,169	0
Perkins Nontraditional Training & Employment	84.048	CDWC-MCC	25,000	0	24,009	0	0	24,009	0
Leadership	84.048	01-R006	47,623	0	40,785	0	0	40,785	0
Carl D. Perkins Vocational Act	84.048	PY2001	83,848	0	90,226	0	0	90,226	0
			156,471	0	155,020	0	0	155,020	0
Passed-Through Career Training Institute									
DOT/DPHHS	84.048	00-01	103,300	0	114,118	0	0	114,118	0
Total CFDA #84.048			259,771	0	269,138	0	0	269,138	0
Passed-Through Montana Office of Public Instruction:									
Adult Basic Education	84.002	5865015601BG	40,631	0	37,403	12,634	0	50,037	0
U.S. Department of Health & Human Services									
Passed-Through Department of Social and Rehabilitation Services:									
TANF - FAIM. WoRC, & FSET	93.561	01-022-28077-D	209,413	0	205,114	0		205,114	0
TANF - Jobs	93.558	58-501-53-011	10,000	0	10,000	0	0	10,000	0
U.S. Department of Labor									
Pass-Through the Montana Job Training Partnership, Inc.:									
Welfare to Work Program	17.253	99002(W)	121,662	0	37,374	0	0	37,374	0
U.S. Department of Commerce									
Direct Programs:									
Community Vitality Grant - EDA	11.303	N/A	20,000	0	20,000	26,608	85	46,693	0
Corporation for National and Community Service									
Direct Programs:									
Retired Senior Volunteer Program	94.002	GM 340P063-19	42,570	0	41,372	0	33,766	75,138	0
TOTAL FOR ALL FEDERAL AWARDS PROGRAMS			$ 2,110,072	$ 0	$ 2,017,768	$ 60,439	$ 38,982	$ 2,117,189	$ 0

* This program's activity is not reflected in the financial statements of this entity.

MILES COMMUNITY COLLEGE
MILES CITY, MONTANA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2002

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program Award	Beginning Balance 07/01/01	Federal Sources	State Match	Other	Expended	Ending Balance 06/30/02
MAJOR PROGRAMS:									
U.S. Department of Education									
Direct Programs:									
Supplemental Educational Opportunity Grant Program	84.007	N/A	$ 28,262	$ 0	$ 34,884	$ 9,421	$ 0	$ 44,305	$ 0
College Work Study	84.033	N/A	35,514	0	31,597	13,034	5,673	50,304	0
Federal Family Education Loans *	84.032	N/A	840,284	0	840,284	0	0	840,284	0
Pell Grant Program	84.063	N/A	627,781	0	627,781	0	0	627,781	0
Total Major Programs			1,531,841	0	1,534,546	22,455	5,673	1,562,674	0
U.S. Department of Labor									
Pass-Through the Montana Job Training Partnership, Inc.:									
WIA Adult Program	17.258	01002(A)	157,389	0	156,620	0	0	156,620	0
NON-MAJOR PROGRAMS:									
U.S. Department of Education									
Passed-Through Office of the Commsioner of Higher Education:									
Family Literacy	84.314B	GC052-01-Z1604	19,000	0	19,831	0	0	19,831	0
Perkins Nontraditional Training & Employment	84.048	02-NT001	25,000	0	24,996	0	0	24,996	0
Leadership	84.048	02-RR05	35,000	0	34,995	0	0	34,995	0
Carl D. Perkins Vocational Act	84.048	PY2002	139,947	0	128,134	0	0	128,134	0
			199,947	0	188,125	0	0	188,125	0
Passed-Through Career Training Institute									
DOT/DPHHS	84.048	01-02	161,000	0	143,821	0	0	143,821	0
Total CFDA #84.048			360,947	0	331,946	0	0	331,946	0
Passed-Through Montana Office of Public Instruction:									
Adult Basic Education	84.002	58-6501-56-02	40,654	0	40,654	16,611	0	57,265	0
U.S. Department of Health & Human Services									
Passed-Through Department of Social and Rehabilitation Services:									
FAIM - WoRC	93.561	2022280070	295,385	0	259,546	0		259,546	0
Jobs - TANF	93.558	58-6501-53-02	8,564	0	8,564	0	525	9,089	0
U.S. Department of Labor									
Pass-Through the Montana Job Training Partnership, Inc.:									
Welfare to Work Program	17.253	99003W	11,508	0	9,046	0	0	9,046	0
U.S. Department of Agriculture									
Direct Programs:									
Rural Business Enterprise Grant	10.769	N/A	50,000	0	40,407	15,000	18,631	74,038	0
Corporation for National and Community Service									
Direct Programs:									
Retired Senior Volunteer Program	94.002	GH01SRPMT-063	52,704	0	52,704	0	23,657	76,361	0
TOTAL FOR ALL FEDERAL AWARDS PROGRAMS			$ 2,527,992	$ 0	$ 2,453,864	$ 54,066	$ 48,486	$ 2,556,416	$ 0

* This program's activity is not reflected in the financial statements of this entity.

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067
104 Second Avenue S.W.
Sidney, Montana 59270
406-482-2092
1-800-676-2467
FAX 406-482-2095

REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF GENERAL PURPOSE FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Legislative Audit Committee
of the Montana State Legislature

We have audited the general purpose financial statements of Miles Community College as of and for the years ended June 30, 2001 and 2002 and have issued our report thereon dated August 16, 2002. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Miles Community College's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to the management of Miles Community College in the accompanying schedule of findings on pages 34-36 as finding #02-02 and #02-03.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Miles Community College's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Miles Community College's ability to record, process, summarize and report financial data consistent with assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings on pages 34-36 as finding #02-01.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described in the accompanying schedules of findings on pages 34-36 is a material weakness.

This report is intended for the information of the Legislative Audit Committee of the Montana State Legislature, Miles Community College's management, federal agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

CHMS, P.C.

CHMS, P.C.
Certified Public Accountants

August 16, 2002

CHMS, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

P.O. Box 1067
104 Second Avenue S.W.
Sidney, Montana 59270
406-482-2092
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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Legislative Audit Committee
of the Montana State Legislature

Compliance

We have audited the compliance of Miles Community College with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2001 and 2002. Miles Community College's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings on pages 34-36. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Miles Community College's management. Our responsibility is to express an opinion on Miles Community College's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Miles Community College's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Miles Community College's compliance with those requirements.

In our opinion, Miles Community College complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2001 and 2002.

Internal Control Over Compliance

The management of Miles Community College is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Miles Community College's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Miles Community College's ability to administer a major federal program in accordance with applicable requirements of laws, regulations, contracts, and grants. A reportable condition is described in the accompanying schedule of findings on pages 34-36 as finding #02-02.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matter involving the internal control over compliance and its operation that we consider to be a material weakness.

This report is intended for the information of the Legislative Audit Committee of the Montana State Legislature, Miles Community College's management, federal agencies and pass-through entities, and is not intended to be, and should not be, used by anyone other than these specified parties.

CHMS, P.C.

CHMS, P.C.
Certified Public Accountants

August 16, 2002

MILES COMMUNITY COLLEGE
SCHEDULE OF FINDINGS
YEARS ENDED JUNE 30, 2001 AND 2002

SECTION 1 – SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: ..... Unqualified

Internal control over financial reporting:

Material weakness identified? ..... No

Reportable conditions identified not considered to be material weaknesses? ..... Yes

Noncompliance material to financial statements noted? ..... No

Federal Awards

Internal control over major programs:

Material weakness identified? ..... No

Reportable conditions identified not considered to be material weaknesses? ..... Yes

Type of auditor's report issued on compliance for major programs: ..... Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)? ..... No

Identification of major programs:

CFDA Number	Award Year	Name of Federal Program
Various	00-01 & 01-02	Student Financial Aid Cluster
17.258	00-01 & 01-02	WIA Adult Program

Dollar threshold used to distinguish between Type A and Type B programs: $300,000

Auditee qualified as low-risk auditee? ..... No

SECTION II – FINANCIAL STATEMENT FINDINGS

FINDING #02-1 – SEGREGATION OF DUTIES

Due to the small size of the entity, there is an absence of segregation of duties appropriate for a strong system of internal control. The College has implemented compensating controls to the extent practical, and we are not recommending further action at this time. However, we believe the Trustees should be aware that the condition results in a greater risk of errors occurring and not being detected within a timely manner than would be the case if duties were appropriately segregated.

Recommendation

No further action at this time.

FINDING #02-2 – NON-BUDGETED FUNDS EXPENDITURE LIMITATIONS

The College has a number of individual non-budgeted funds with deficit cash balances. According to Montana Code Annotated §20-9-210, the expenditures for a non-budgeted fund are limited to that fund's cash balance. The College requested a County Attorney's opinion regarding the definition of non-budgeted funds for community colleges. No firm definition of non-budgeted funds was provided to the College by the County Attorney.

Recommendation

The College should request an Attorney General's opinion on the definition of non-budgeted funds for community colleges. For those funds defined as non-budgeted funds, expenditures should be limited to the amount of cash available in that fund.

FINDING #02-3 – PURCHASE OF PROPERTY

The College purchased computers with a total contract cost exceeding $25,000. The College did not follow formal bid procedures for that purchase. Montana Code Annotated §20-15-104 requires that whenever the proposed contract costs are more than $25,000, the board of trustees shall solicit formal bids and advertise once each week for at least 2 weeks in a newspaper published in each county wherein the area of the district lies, calling for bids to perform such work or furnish such supplies.

Recommendation

The College should develop and follow formal bid procedures that conform to the requirements of Montana Code Annotated §20-15-104.

PRIOR YEARS' RECOMMENDATIONS

A summary of the recommendations from fiscal years June 30, 1999 and 2000 is as follows:

Finding	Status
Finding #00-1 – Segregation of Duties	N/A – See finding #02-1
Finding #00-2 – Non-Budgeted Funds Expenditures	Not Implemented – Finding #02-2
Finding #00-3 – Purchase of Property	Not Implemented – Finding #02-3
Finding #00-4 – Nursing Student Loan Delinquency Delinquency rate exceeded allowable rate	Implemented

SECTION III – FEDERAL AWARD FINDINGS

SEGREGATION OF DUTIES – SEE FINDING #00-1

PRIOR YEARS' RECOMMENDATIONS

A summary of the recommendations from fiscal years June 30, 1999 and 2000 is as follows:

Finding	Status
Finding #00-1 – Segregation of Duties	N/A – See finding #02-1

MILES COMMUNITY COLLEGE

"Home of the Pioneers"

October 29, 2002

Tara Hill, CPA
P.O. Box 1067
104 Second Avenue S. W.
Sidney, Montana

Dear Tara:

If you need our responses reworded or in a different format please let me know.

Finding #02-02 The College has a number of individual funds with deficit cash balances. According to Montana Code---------, the expenditures for a non-budgeted fund are limited to that fund's cash balance.

Recommendation-The college should request an Attorney General's opinion on the definition of non-budgeted funds for community colleges. For those funds defined as non-budgeted funds, expenditures should be limited to the amount of cash available in that fund.

Response

The college will request an opinion from the Attorney General. Once the opinion is received the college will develop an appropriate policy.

Finding #02-03 The College purchased computers with a total contract cost exceeding $25,000. The college did not follow formal bid procedures for that purchase.

Recommendation- the college should develop and follow formal bid procedures that conform to the requirements of Montana Code.

Response

The college will develop a policy regarding purchases of $25,000 or more.

Sincerely,

Ron Dorn
Dean Administrative Services

"Start Here....Go Anywhere"
2715 Dickinson Miles City MT 59301 (406) 234-3031 Fax (406) 234-3598
Website: www.mcc.cc.mt.us

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